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Bad Ethical Examples at the Top Undermine Fight Against Fraud say FAP

Too many bad ethical examples are being set and excused at the top of business and public life claims independent watchdog the Fraud Advisory Panel. Chairman Ros Wright (a former Director of the Serious Fraud Office) said that “self-seeking by some in senior positions has a major cumulative impact, not least on the young, those under intense financial pressure and those who have received little or no ethical grounding. When leaders demand ethical behaviour from the rank and file while making exceptions for themselves they pave the way for fraud.”

The Panel has dedicated its 2007 annual review to the theme of promoting ethical behaviour which, it argues, is the best defence against fraud “and that a climate of corner-cutting and indifference to others allows it to grow”. A recent report from the Association of Chief Police Officers (ACPO) showed that financial crime now costs £330 for every man, woman and child in the country. The Government has admitted that “in monetary terms the harm it causes is on a par with Class A drugs” (see Notes to Editors).

Ros Wright said: “Too many business practices are considered acceptable as long as they generate profits. Too many morally dubious actions by politicians and executives are judged by their impact on votes, sales or career prospects rather than by ethical criteria. If people don’t trust their leaders they become cynical about the moral standards their leaders proclaim.”

A survey earlier this year for the Commission on Standards in Public Life found that only 23% of voters trusted government ministers to tell the truth. In addition an Institute of Business Ethics poll in 2006 showed that business leaders and politicians were trusted by only 31% and 20% respectively.

The Panel does not believe new laws and regulations are the answer. Ros Wright argues that “setting high standards of behaviour, not least towards customers and employees, should be a priority for every governing body. We need clear signals that not only is good behaviour expected but that it will be rewarded and low standards, let alone downright dishonesty, will not be tolerated.”

The annual review also says that ethics should feature in all training programmes for business and not be confined to separate modules as if it were a ‘specialist subject’. Training should also convey that “honesty is a necessary but not a sufficient condition for ethical behaviour. Treating others as we would like to be treated ourselves is the essence of morality.”

For Further Information

- Please contact Laura Hamblin (ICAEW Press Office) on Tel: 020 7920 8617 or Email: laura.hamblin@icaew.com.
- The Annual Review can be downloaded from www.fraudadvisorypanel.org. Printed copies are available from Mia Campbell on 020 7920 8721; info@fraudadvisorypanel.org

Note for Editors

1. The Fraud Advisory Panel is a registered charity which raises awareness of the immense human, social and economic damage caused by fraud and helps private and public sectors, as well as the public at large, to fight back. It was established in 1998 by the Institute of Chartered Accountants in England and Wales (ICAEW) which continues to provide valuable support. Since its foundation the Panel has:

- Raised the profile of fraud helping to push the issue up the policy making agenda

- Developed major proposals for the reform of policing, prosecution and the law; many of these have found their way into the Fraud Review
- Worked to improve business and professional education and training
- Commissioned important new research, for instance on the extent of fraud, cybercrime and the risk to SMEs
- Raised awareness through conferences, seminars and the media.

Members include representatives from the legal and accountancy professions, industry associations, financial institutions, government agencies, law enforcement, regulatory authorities and academia.

2. In March ACPO published *The Nature, Extent and Economic Impact of Fraud in the UK*. Drawing on a wide range of published sources the report showed that financial crime now costs a bare minimum of £13.9billion a year, increasing to £20 billion when income tax and EU-related fraud are taken into account. This amounts to £330 for every man, woman and child in the country.

“Recent research shows that in monetary terms the harm it causes is on a par with Class A drugs...Fraud is a serious threat to the UK.” *Lord Goldsmith, then Attorney General, February 2007.*